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C O N T E N T S

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**1. OUTCOME OF SECOND SUEZ CONFERENCE THREATENS
MOLLET GOVERNMENT**



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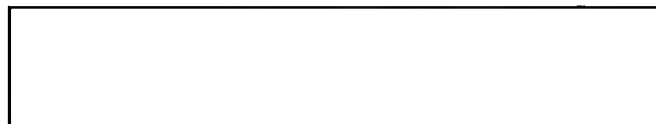
5. BOLIVIAN GOVERNMENT DECLARES STATE OF SIEGE

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1. OUTCOME OF SECOND SUEZ CONFERENCE THREATENS
MOLLET GOVERNMENT

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The American embassy in Paris reports that the French public and government officials are disillusioned and discouraged by the second London conference and now

believe the only course open is referral of the Suez question to the UN. The embassy expects the National Assembly to hold a bitter and prolonged debate when it convenes on 2 October, with Suez likely to become the focal point of growing exasperation and frustration on a variety of problems.

The embassy emphasizes there is a worsening social climate as workers, farmers and business men become increasingly antagonistic over price rises and wage problems.

Comment

Foreign Minister Pineau won grudging cabinet support for the new Suez Canal users' association with the proviso that France maintain freedom of action to refuse co-operation in any measures it considers contrary to its essential interests. Premier Mollet had received nearly unanimous non-Communist support in early August for his strong stand against Egyptian nationalization of the canal, but he has been running into increasing political opposition at home as France and the West have avoided recourse to force.

Success for Nasr is likely to further weaken France's position in Algeria and Mollet may seek more direct American and British support in North Africa.

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5. BOLIVIAN GOVERNMENT DECLARES STATE OF SIEGE

The Bolivian government has declared a state of siege as a result of civil disorders in La Paz on 22 September. Anti-government elements had organized a hunger march and a crowd set fire to the progovernment newspaper building and the government radio station. Other fires and rioting reportedly resulted in eight deaths.

The antigovernment action during the day was reported led by Unzaga de la Vega, leader of the major rightist opposition party, while disorders occurring on the night of 22 September were directed by a member of a leftist splinter party. The Communists were apparently not involved.

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Bolivia's spiraling inflation -- in which the already high cost of living rose 17 percent between April and June of this year -- has been generally recognized as the major problem facing the new government which took office on 6 August. Although the government won over 80 percent of the total vote in last June's election, its chief opposition polled about 40 percent of the vote in the inflation-plagued urban areas. A monetary stabilization council, made up of high-ranking Bolivian officials with an American adviser, was recently set up.

No one of Bolivia's three armed groups-- the civilian militia, the carabineros, or the army -- appears to have defected to the opposition. Consequently, the government is believed capable of maintaining itself in power.

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